



## Federal Update



Jeff Baker  
Federal Student Aid  
U.S. Department of Education

Dan Madzellan  
Office of Postsecondary Education  
U.S. Department of Education

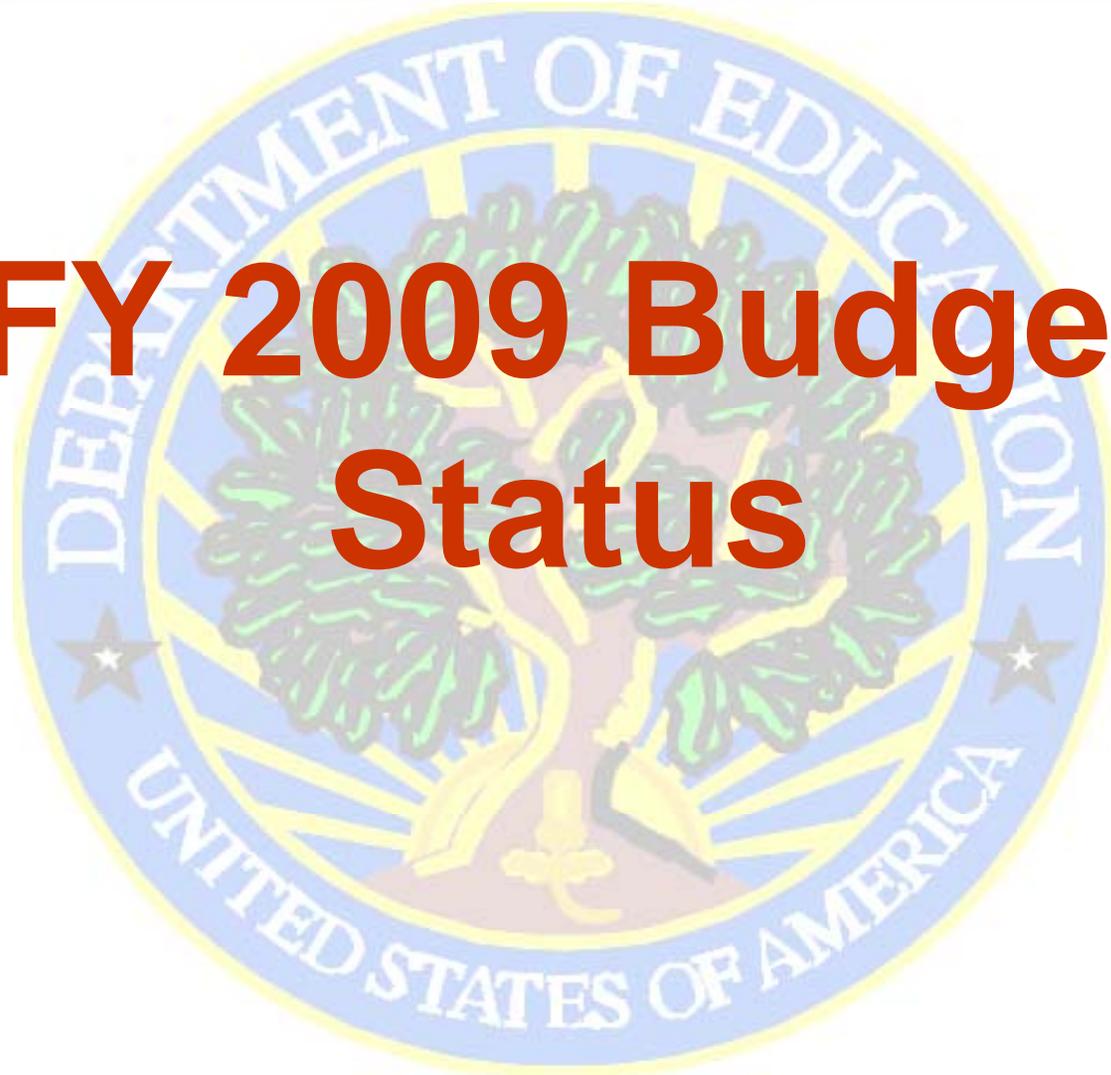
# Agenda



- Fiscal Year 2009 Budget
- Legislative Update
- Regulations
  - 2006-2007
  - 2007-2008
- Loan Access Initiatives
- TEACH Grant



# FY 2009 Budget Status



# Appropriations



<b>Program</b>	<b>FY 2007 (AY 07-08)</b>	<b>FY 2008 (AY 08-09)</b>	<b>FY 2009* (AY 09-10)</b>
<b>Pell Grant (Max Award)</b>	<b>\$13,660,711,520 \$4,310</b>	<b>\$16,256,000,000 \$4,731</b>	<b>\$18,941,100,000 \$4,800</b>
<b>FSEOG</b>	<b>\$ 770,932,800</b>	<b>\$ 757,464,800</b>	<b>\$ -</b>
<b>FWS</b>	<b>\$ 980,354,430</b>	<b>\$ 980,491,815</b>	<b>\$ 980,500,000</b>
<b>Perkins</b>	<b>\$ 65,470,680</b>	<b>\$ 64,327,222</b>	<b>\$ -</b>
<b>LEAP</b>	<b>\$ 64,986,570</b>	<b>\$ 63,851,677</b>	<b>\$ -</b>
<b>ACG/SMART</b>	<b>\$ 850,000,000</b>	<b>\$ 395,000,000</b>	<b>\$ 960,000,000</b>

\* President's FY 2009 Budget Request

# Aid Available



<b>Program</b>	<b>FY 2008 (AY 08-09)</b>	<b>FY 2009* (AY 09-10)</b>
<b>Pell Grant (Max Award)</b>	<b>\$ 16,428,110,000 \$4,731</b>	<b>\$ 18,180,200,000 \$4,800</b>
<b>FSEOG</b>	<b>\$ 958,816,000</b>	<b>\$ -</b>
<b>FWS</b>	<b>\$ 1,171,395,000</b>	<b>\$ 1,171,400,000</b>
<b>Perkins</b>	<b>\$ 1,103,398,000</b>	<b>\$ -</b>
<b>LEAP</b>	<b>\$ 161,555,000</b>	<b>\$ -</b>
<b>ACG/SMART</b>	<b>\$ 700,000,000</b>	<b>\$ 760,000,000</b>
<b>TEACH</b>	<b>\$ 86,000,000</b>	<b>\$ 114,000,000</b>
<b>Loans</b>	<b>\$ 70,345,247,000</b>	<b>\$ 74,536,800,000</b>
<b>TOTAL</b>	<b>\$ 90,954,521,000</b>	<b>\$ 94,762,400,000</b>

# Appropriations Status



<b>Program</b>	<b>FY 2008 (AY 08-09)</b>	<b>FY 2009 House Subcommittee</b>	<b>FY 2009 Senate Committee</b>
<b>Pell Grant (Max Award)</b>	<b>\$16,256,000,000 \$4,731</b>	<b>\$19,425,000,000 \$4,900</b>	<b>\$18,980,000,000 \$4,800</b>
<b>FSEOG</b>	<b>\$ 757,464,800</b>	<b>\$ 757,464,800</b>	<b>\$ 757,464,800</b>
<b>FWS</b>	<b>\$ 980,491,815</b>	<b>\$ 980,491,815</b>	<b>\$ 980,491,815</b>
<b>Perkins</b>	<b>\$ 64,327,222</b>	<b>\$ 64,327,222</b>	<b>\$ 70,000,000</b>
<b>LEAP</b>	<b>\$ 63,851,677</b>	<b>\$ 63,851,677</b>	<b>\$ 63,851,677</b>
<b>ACG/SMART</b>	<b>\$ 395,000,000</b>	<b>\$ 960,000,000</b>	<b>\$ 960,000,000</b>



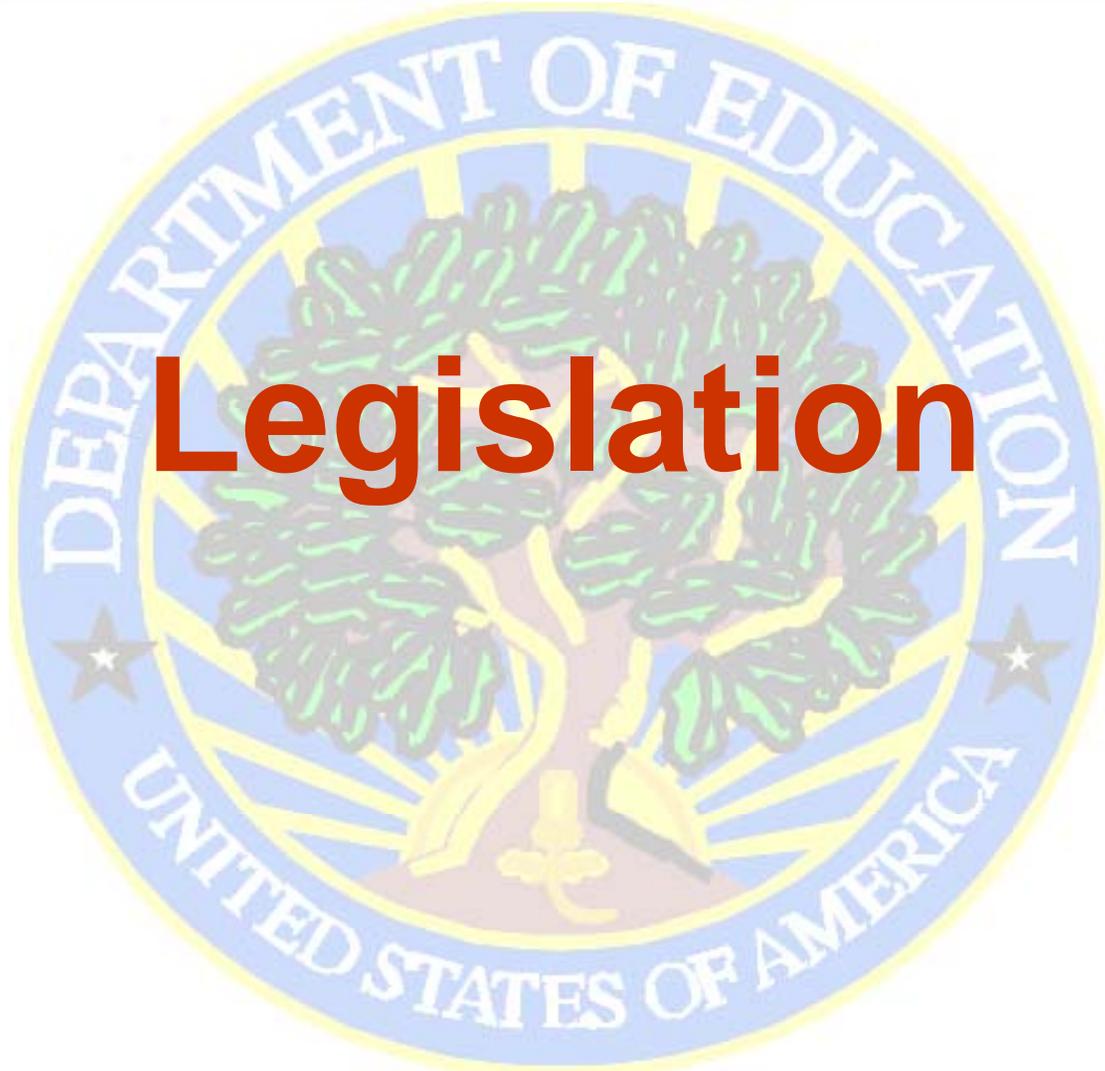
# FY 2009 Budget Proposals



# FY 2009 Budget Policy



- Provide for “Year-round” Pell Grants
- Establish a “Lifetime Limit” for Pell
- Implement Consent-Based IRS/FAFSA Data Matching
- Provide Loans for Short-Term Training
- Modify Public Service Loan Forgiveness
- Eliminate the Income-Based Repayment Three-Year Interest Subsidy
- Recall Federal Share of Perkins Loans



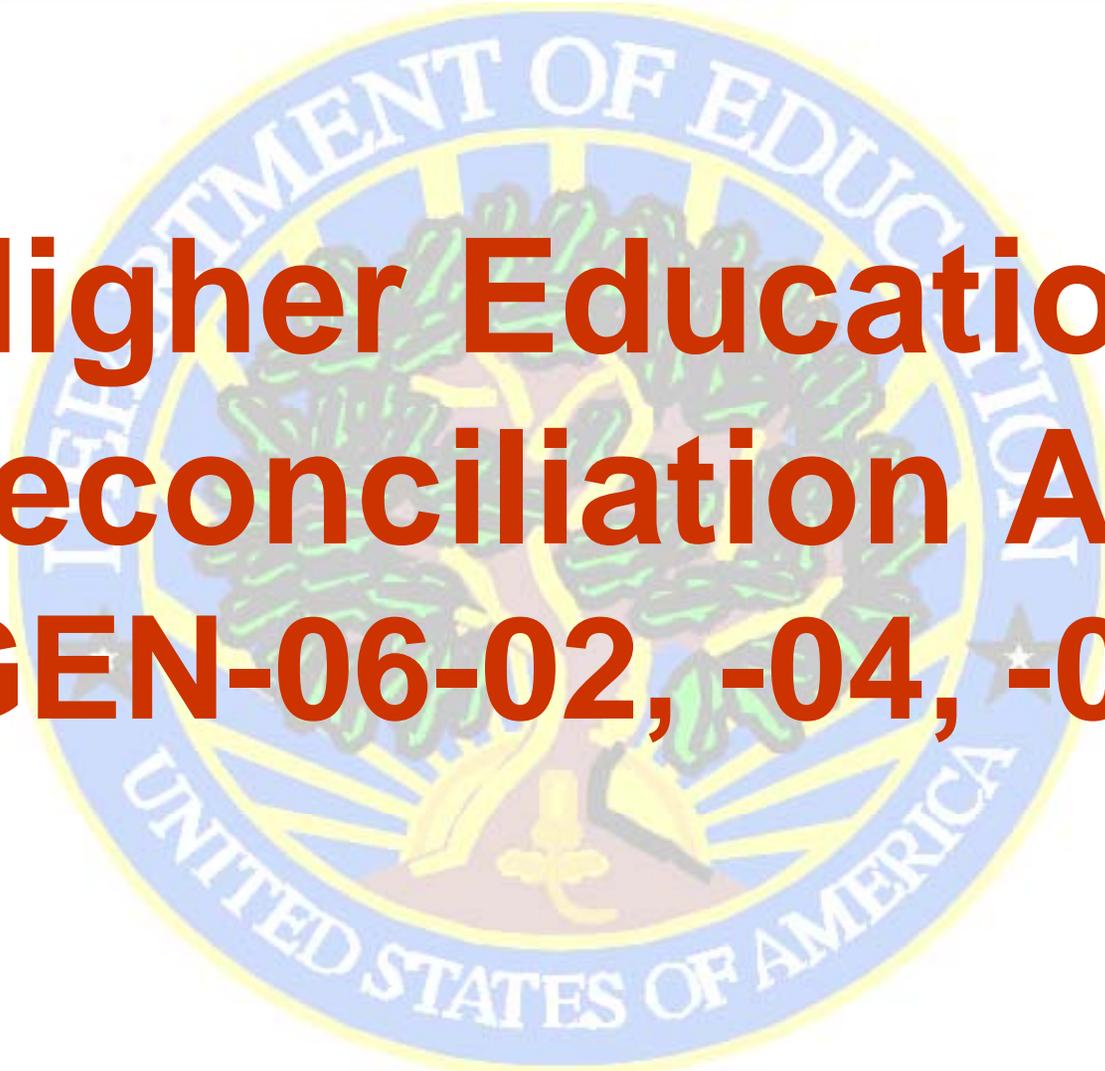
# Legislation



- Higher Education Reconciliation Act (HERA)
- College Cost Reduction and Access Act (CCRAA)
- Ensuring Continued Access to Student Loans Act of 2008 (ECASLA)
- Higher Education Act Reauthorization

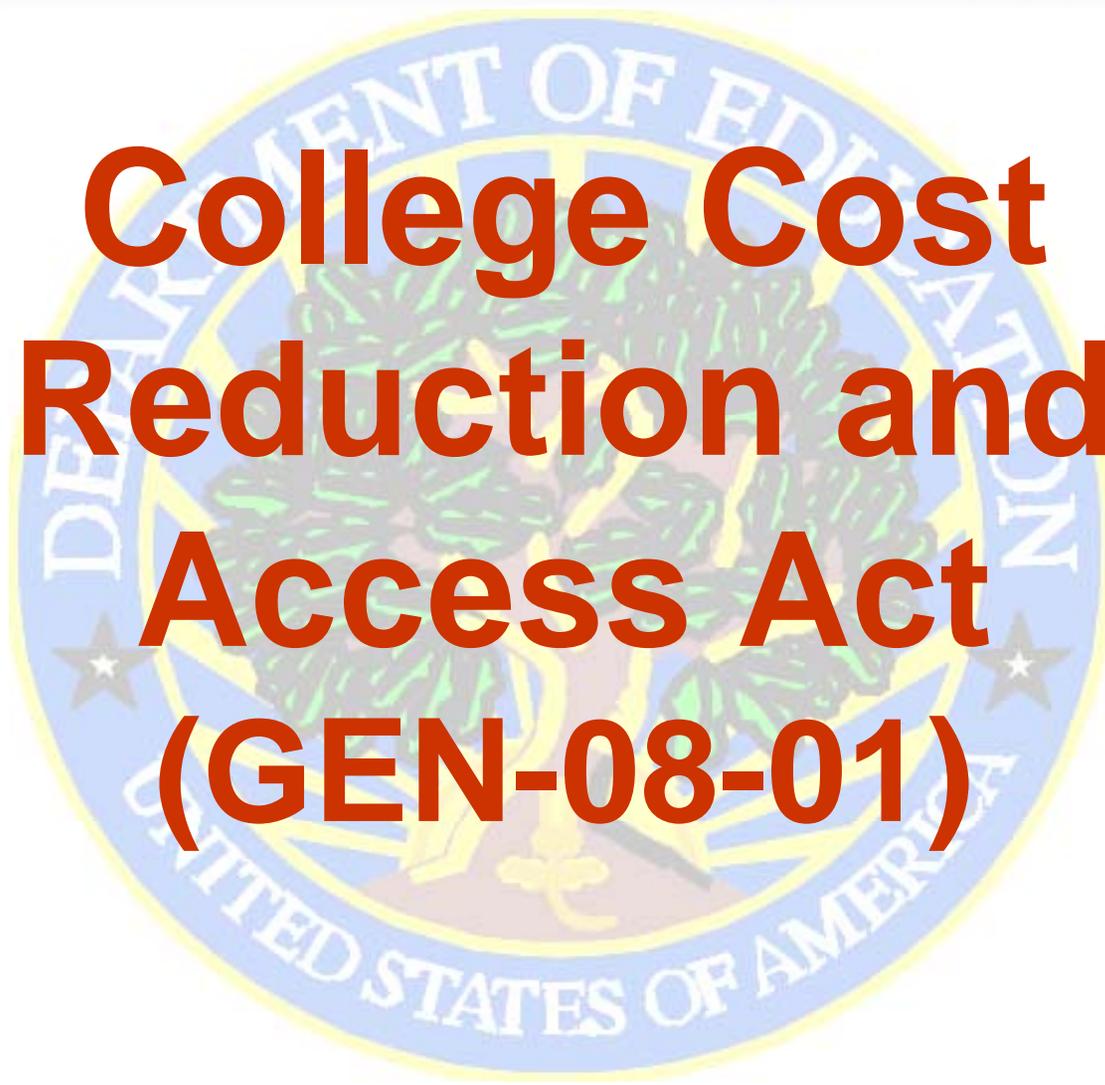


# Higher Education Reconciliation Act (GEN-06-02, -04, -05)





- Academic Competitiveness and National SMART Grants
- Need Analysis Formula Changes
- Reauthorized Student Loans - 2012
  - Increased Loan Limits
  - Phase-out Borrower Origination Fees
  - Aligned Repayment Plans
  - Reduced Insurance and PLUS Interest Rate
  - “Negative Special Allowance Payments (SAP)”



# College Cost Reduction and Access Act (GEN-08-01)



**2008**  
NATIONAL CONFERENCE



US Department of  
**Education**



- Grant Programs
  - Mandatory Increases for Pell and Upward Bound
  - Eliminated Pell “Tuition-Sensitivity” Award Rule
  - Created TEACH Grants
- Loan Programs
  - Reduced Interest Rates for Undergrad Subsidized
  - New Income-based Repayment Option
  - Revised Economic Hardship Deferment
  - New Public Service Loan Forgiveness
  - Reduced Insurance and Special Allowance
  - Parent PLUS Auction Pilot Program



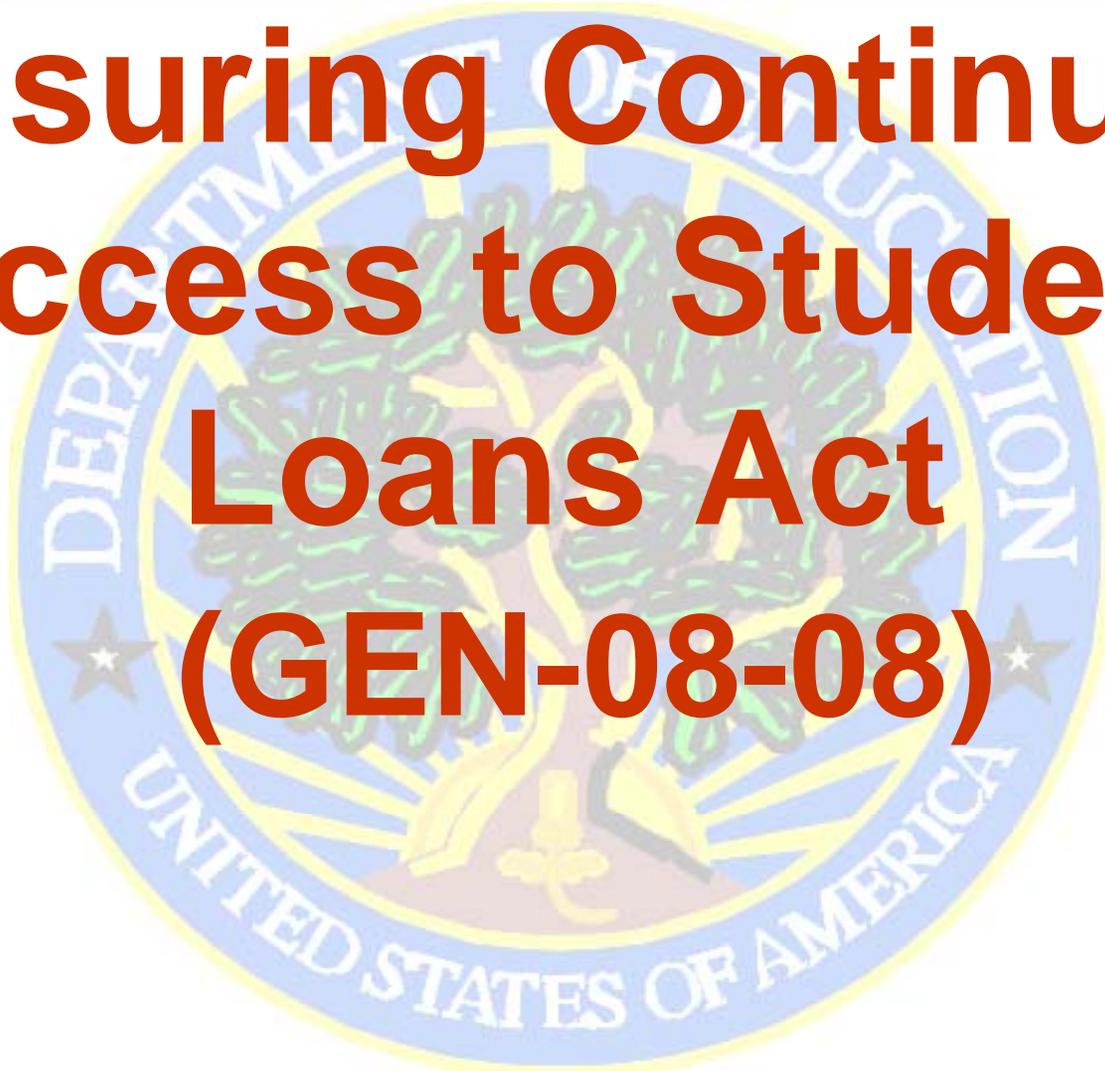
- Need Determination
  - Increased Income Protection Allowances
  - Changes to Auto-Zero and SNT Eligibility
  - Exclusion of some untaxed income
  - Exclusion of special combat pay
  - Treatment of 529 plan assets and income



- Independent Student Definition
  - Foster care or a ward of the court
  - Emancipated minor or in legal guardianship
  - Unaccompanied youth who is homeless
- Professional Judgment
  - Dislocated Worker and Homeless
- Dependency Overrides
  - May use determination made by another school



# Ensuring Continued Access to Student Loans Act (GEN-08-08)





## Triple Threat in the Market

- Liquidity
- Profitability
- Capacity

## ECASLA Authorizes the Secretary

- To purchase FFEL loans, at -
  - No net cost to the government, under -
  - Terms and conditions established by the Secretary in consultation with Treasury and OMB.

# ECASLA – Lender of Last Resort

- All Loan Types –
  - Subsidized Stafford
  - Unsubsidized Stafford
  - PLUS for parents and graduate students
- Institutional designation of LLR need
  - Through June 30, 2009

# ECASLA – FFEL and Direct Loan

- “Additional Unsubsidized” Loan Amounts
  - New \$2,000 for dependent students
  - Additional \$2,000 for independent students
- PLUS Loans
  - Extenuating circumstances for adverse credit may include delinquency of up to 180 days on mortgage payments or on medical bill payments
  - Delayed repayment start date for parent PLUS borrowers at their option

# ECASLA – ACG and SMART Grants

Effective January 1, 2009

- Both Programs
  - Eligible Non-Citizens
  - At least half-time enrollment
  - Students in certificate programs eligible, if program is at least one year in length and offered at a two or four-year degree granting institution.
  - Awards based on student's grade level instead of "academic year".

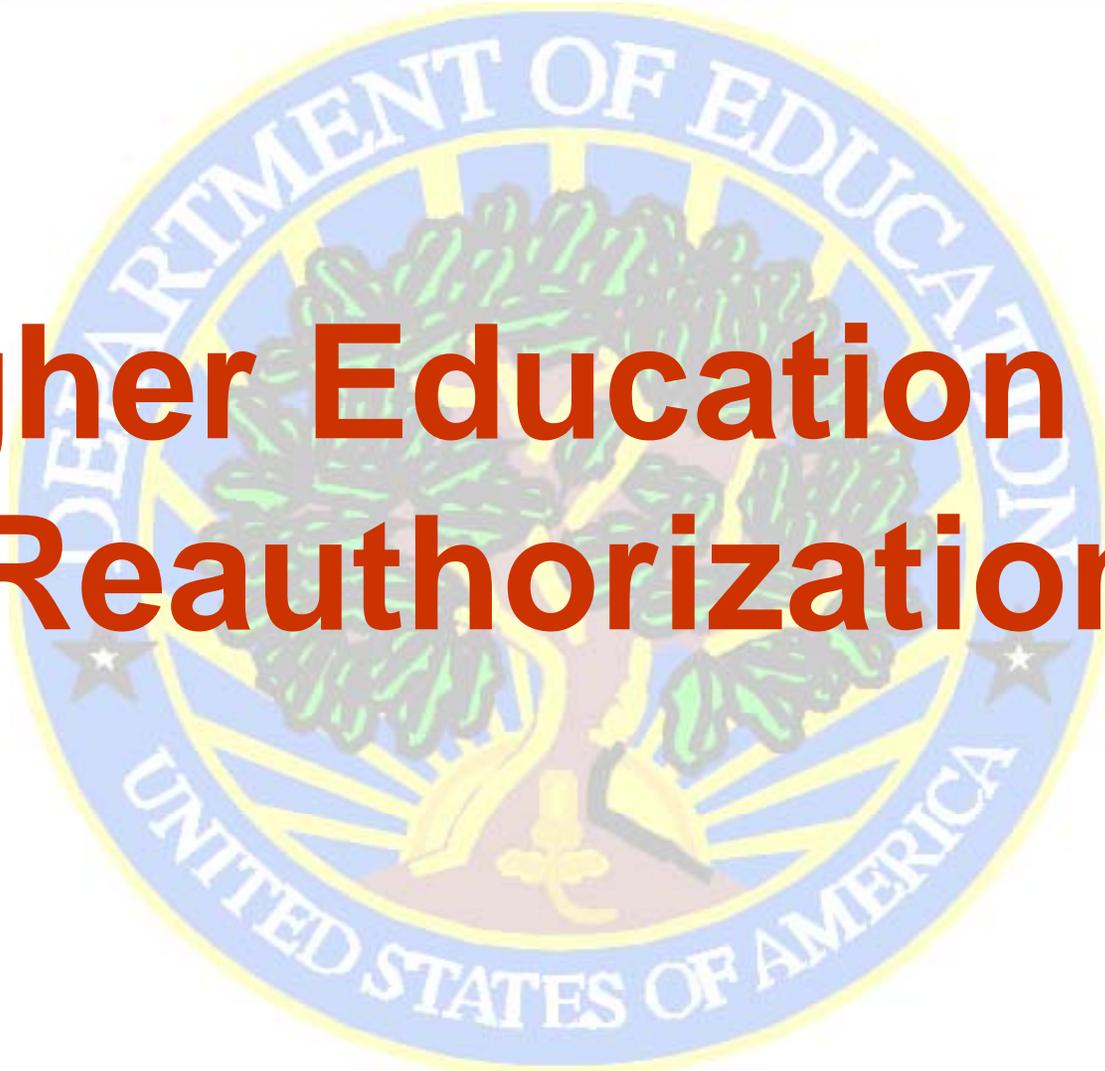
# ECASLA – ACG and SMART Grants

Effective January 1, 2009

- ACG Program Only -
  - Modifies Secretary's Role in Recognizing Rigorous High School Programs
- SMART Grant Program Only -
  - Non-major single liberal arts programs
  - Fifth year eligibility if five-year program



# Higher Education Act Reauthorization



# REAUTHORIZATION



- Authorized Through July 31, 2008 (P.L. 110-256)
- S.1642 -- Senate Passed on July 24, 2007
- H.R. 4137 -- House Passed on February 7, 2008.
- Currently in Conference
- Enacted Legislation ????



# 2006-2007 Regulations



# 2006-2007 Rulemaking



- All regulations effective July 1, 2008
  - Student Loans
    - Final Rule Published Nov. 1, 2007
  - General Provisions
    - Final Rule Published Nov. 1, 2007
- Academic Competitiveness & National SMART Grants
  - Final Rule Published Oct. 29, 2007



# 2006-2007 Loan Regulations





- Identity theft
- Grad PLUS counseling requirements
- Maximum loan periods
- Frequency of capitalization for Consolidation Loans
- Deferment eligibility determination (Perkins)

# All Title IV Loans



- Death Certificates
- Total and Permanent Disability
- NSLDS Reporting
- Retention of Records

# Perkins Loan Program



- Mandatory Assignment
  - Secretary may require assignment of a Perkins Loan if—
    - Outstanding principal balance is \$100 or more,
    - In default for 7 or more years, and
    - No payment has been received in past 12 months
  - ED will notify schools when to assign loans.

# FFEL School Certifications



- A school may not:
  - Refuse or delay certification based on borrower's choice of lender or GA
  - Assign lender to first-time borrower
  - Refuse to certify or certify a reduced amount; except on a case-by-case basis
  - Includes “school as lender”

# FFEL Preferred Lender Lists



- School may choose to have preferred lender(s) list (includes web processes)
- List must have at least 3 unaffiliated lenders
- Must disclose method/criteria for lender inclusion on the list
- Must provide comparative information
- Must include prominent statement advising borrowers that use of school preferred lender not required

# Prohibited Inducements



- Affects FFEL lenders and guaranty agencies.
- Creates concept of “rebuttable presumption” for prohibited and allowed activities.
- Includes a non-exhaustive list of prohibited activities.
- Includes a list of allowed activities.



# 2007-2008 Regulations



# 2007-2008 Rulemaking



- TEACH Grant
  - NPRM Published March 24, 2008
  - Final Rule Published June 23, 2008
  - Rules Effective July 1, 2008
- Title IV Loan Programs
  - NPRM Published July 1, 2008
  - Comment Period Ends August 15, 2008
  - Final Rule Published no later than Nov. 1, 2008
  - Rules Effective July 1, 2009



# 2007-2008 Loan Regulations



# 2007-2008 Loans NPRM



- Definition of Not-for-Profit Holder
  - FFEL Only
- Income-based Repayment Plans
  - FFEL and Direct Loans
- Public Service Loan Forgiveness
  - Direct Loan only
- Economic Hardship and Military Service Deferments
  - FFEL, Direct Loans, and Perkins



# 2006-2007 General Provisions Regulations



# General Provisions



- Uniform definitions for a number of terms that apply to all Title IV programs
- Aligns disbursements for all Title IV grant and loan programs (with a few exceptions)
- Cash Management
- Postwithdrawal Disbursements of Grants
- Minimum Period for Certifying a Loan
- Annual Loan Limit Progression
- Simplified Pell Grant Calculations for non-term programs



# 2006-2007 ACG/SMART Regulations



**2008**  
NATIONAL CONFERENCE



US Department of  
**Education**

# ACG and National SMART Grants

- Academic Year Progression Flexibilities
- Grade Point Average (GPA) for Transfers
- Prior Enrollment
- Eligible Majors
- Rigorous Secondary School Program of Study



# FFEL Loan Purchase Programs





## Problem

Lack of required liquidity in financial markets impacting ability of FFEL Program lenders and secondary markets to find cost effective financing.



## Response

- President's call for statutory authorities to address problem
- Congressional action
- Secretary Spellings' May 21 letter to FFEL lenders
- Secretary Spellings' June 17 letter to colleges and universities



## Response

- Ensuring Continuing Access to Student Loans Act of 2008 (P.L. 110-227)
  - HR 5715
  - Signed by the President on May 7, 2008
  - Strengthened GA Lender of Last Resort Program
  - Provided Secretary authority to purchase FFEL loans.
  - Cannot provide advanced funding to lenders

# Loan Purchase Programs



## Program Objectives

- Ensure that eligible students and parents receive federal student loans for the 2008-2009 academic year
- Support the FFEL Program as a successful private/public partnership
- Ensure no net cost to the federal government

# Loan Purchase Programs



## Two Program Components

- Loan Purchase Commitment Program
  - Commitment by ED to purchase eligible 2008-2009 FFEL loans through September 30, 2009
  - Any FFEL lender/holder
  - Loans must be fully disbursed to be purchased
  - 45 day advance notice of loans to be sold
  - ED's commitment has value in financial markets

# Loan Purchase Programs



## Two Program Components

- Loan Participation Purchase Program
  - Commitment by ED to purchase “participation interests” in eligible 2008-2009 FFEL loans.
  - Purchase will provide immediate liquidity
  - To terminate ED’s participation interest lender repays ED with defined yield.
    - Loans can be redeemed by lender
    - Loans can be sold to ED



# 2007-2008 TEACH Grant Regulations



**2008**  
NATIONAL CONFERENCE



US Department of  
**Education**

# TEACH GRANT PROGRAM



- Effective for the 2008-2009 award year.
- Must be repaid as Direct Unsubsidized Loan if student does not –
  - Teach for at least four years within eight years of ceasing enrollment in the TEACH Grant eligible program, as a -
    - Highly Qualified Teacher
    - At a Title I school
    - In a specified subject area.



- Subject Areas –
  - Mathematics
  - Science
  - A foreign language
  - Bilingual education and English language acquisition
  - Special education
  - As a reading specialist
  - Other ‘high-need’ fields



## High-Need Field

- TEACH Grant recipient must teach in a high-need field in the majority of classes taught.
- “Other” high-need fields must be listed in the Department of Education’s *Nationwide Listing of Teacher Shortage Areas* at the time the recipient begins qualified teaching.



- Recipients can be –
  - Undergraduate students
  - Graduate students (Master's degree only)
  - Students enrolled in a post-baccalaureate teacher credential program
  - Current or former teachers or retirees

# TEACH GRANT PROGRAM



- Up to \$4,000 per year for first undergraduate or post-baccalaureate (non degree) program - \$16,000 aggregate.
- Up to \$4,000 per year for graduate student - \$8,000 aggregate.
- Prorated amounts for less than full-time enrollment.
- Award, when combined with other assistance, cannot exceed cost of attendance (No EFC).



- Student must:
  - Be completing coursework necessary to begin a career in teaching, or
  - Plans to complete coursework necessary to begin a career in teaching.



- All Applicants Must—
  - Enroll in a TEACH Grant-eligible institution in a TEACH Grant-eligible program
  - Undertake initial counseling
  - Sign an “Agreement to Serve”
  
- “In for a dollar, in for four years”.



- Student Eligibility – Academic Standard
  - Above the 75<sup>th</sup> percentile on one battery of an admissions test, such as:
    - SAT, ACT, GRE, etc.

OR

- GPA of at least 3.25 for each payment period—
  - From high school or college for first year students.
  - From college for other students.



- Institutional Eligibility
  - See DCL GEN-08-07, posted to IFAP on June 3.
  - Institutional Choice whether to participate.
  - An institution that offers one or more TEACH Grant-eligible programs may participate in the TEACH Grant Program.

# TEACH GRANT PROGRAM



- Funding, awards and disbursements much like Pell, ACG, and SMART’.
- Does not matter which loan program school participates in (FFEL or Direct Loans).
- Institution has no responsibility for tracking or for conversion of grant to loan.



- NSLDS will –
  - Maintain history and reporting on TEACH Grants.
  - Pass information to CPS for ISIR.
  - Add TEACH Grant to Enrollment Reporting Rosters.
  - Display TEACH Grants converted as Direct Unsubsidized Loan (TEACH).

# TEACH GRANT PROGRAM



- Failure to complete the teaching service –
  - Grant amounts must be repaid as an Unsubsidized Direct Stafford Loan, with interest from date of grant disbursement(s).
  - All regular loan benefits and responsibilities.
  - Does not count against loan limits.
  - Does not impact school's default rate.
  - A TEACH Grant that is converted to a loan cannot reconvert to a TEACH Grant



# Conferences



# 2008 FSA Conferences



- Dallas
  - October 28 thru 31
- Las Vegas
  - December 2 to December 5

